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ABSTRACT

Resource-dependence theory is a theory of organization(s) that seeks to explain organizational and interorganizational behavior in terms of those critical resources that an organization must have in order to survive and function. The theory focuses on the following: resources; the flow or exchange of resources between organizations; those dependencies and power differentials created as a result of unequal resource exchange; the constraining effects such dependence has on organizational action; and the efforts by organizational leaders to manage dependence. With its emphasis on resource exchange, resource dependence represents a political-economy model of organizational and interorganizational behavior. Two strategies used by organizations--buffering and bridging--are discussed. Resource-dependence theory provides a useful framework for thinking about power differences across organizations and for describing the choice of adaptive strategies as a political activity. The theory's major limitation is its assumption that organizational behavior and structures are shaped primarily by materialistic forces; it fails to regard the role of cultural, ideological, and institutional forces. The theory should therefore be regarded as a partial, middle-range theory of organization. One figure is included. (Contains 20 references.) (LMI)

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Resource Dependence Theory: A Political Economy Model of Organizations

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Resource Dependence Theory: A Political Economy Model of Organizations

Resource Dependence Theory is a theory of organization(s) that seeks to explain organizational and inter-organizational behavior in terms of those critical resources which an organization must have in order to survive and function. As an open-systems theory, the resource dependence argument suggests that a given organization will respond to and become *dependent* on those organizations or entities in its environment that control *resources* which are both critical to its operations and over which it has limited control. Such dependence makes the external constraint and control of organizational behavior possible as asymmetrical exchange and power relations are created between organizations. In an attempt to maximize organizational autonomy, organizational leaders use a variety of strategies to manage these external constraints and dependencies. Resource dependence theory thus has as its focus the following: resources; the flow or exchange of resources between organizations; those dependencies and power differentials created as a result of unequal resource exchange; the constraining effects such dependence has on organizational action; and the efforts by organizational leaders to manage dependence. With its emphasis on resource exchange, resource dependence represents a *political economy model* of organizational and inter-organizational behavior.

Theoretical and Conceptual Roots

Although the unit of analysis associated with resource dependence theory has been the organizational set (Evan, 1966), its theoretical and conceptual roots in the social

sciences are tied to work done at the *individual* level of analysis, specifically in attempts to explain social behavior.

The notion of power as the obverse of dependence can be traced to the works of Emerson (1962) and Blau (1964). Using the concept of social exchange to describe those power differentials which emerge between individuals, Emerson (1962) suggests that a given social actor 'A' is dependent on actor 'B' to the extent that B controls some resource or performance valued by A, *and* to the extent that A cannot obtain this resource or behavior from alternative persons. For Emerson, such asymmetric dependence leads to asymmetric power relations between individuals. Hence, power is conceptualized as the obverse of dependence, i.e., to the extent that A is dependent on B, B has power over A.

From the exchange perspective, an individual's behavior becomes externally controlled when others in that person's environment have power over him/her and make requests for behavior based on situations of asymmetric dependence. According to Blau (1964), situations of asymmetric dependence and power are rather unstable. In such relationships, the less powerful actor will often pursue activities which seek to minimize the effects of this power differential.

A third theoretical perspective from the field of social psychology provides an additional backdrop for understanding the development of resource dependence theory. This perspective, known as situationism, represents an attempt to explain individual action (Bowers, 1973). According to theorists, individual action and behavior are not necessarily to be understood in terms of conscious or strategic choice, but as the result of

external constraints, demands, and forces over which the individual has little or no control (Bower, 1973). Analyses of individual goals, preferences, and decision-making processes are seen as secondary to the impact of external constraints in determining human action and behavior. To understand individual behavior, therefore, one must understand the context or environment in which the individual exists.

Considered together, these important concepts provide the foundation on which the resource dependence framework has been constructed. Although developed primarily at the individual level of analysis, the logic and rationale associated with each have been used by resource dependence theorists to explain behavior at the *organizational* level.

Theoretical Components: Past and Present Research

While several names have been associated with the development of resource dependence theory (Zald, 1970; Hasenfeld, 1972; Jacobs, 1974, Benson, 1975; Pfeffer & Salancik, 1978), the work of Thompson (1967) represents one of the earliest attempts to examine the flow of externally-based resources into organizations and the implications of the uncertainty surrounding this flow for *organizational-level* action and behavior. Speculating on those factors which prevent organizations from achieving "complete rationality," Thompson notes that an organization's need for resources, and the subsequent dependence resulting from this need, create problems for organizational managers. Given that no one organization is self sufficient, organizations are forced to enter into exchange relations with the other actors, entities, and organizations in their environments. The unequal distribution of valued resources make the emergence of

asymmetric exchange and power relations between organizations inevitable. The cumulative effect of this dependence is increased uncertainty for the organization as the move to a more complete rationality is hindered.

Thompson's observations hint at several seminal concepts associated with the resource dependence framework, many of which have been further developed and refined by subsequent theorists. These include the following:

The scarcity of organizational resources and the need for interdependence - Resources of various kinds are essential for the continued survival and success of an organization. The individual organization, however, seldom possesses or controls the entire range of resources needed for survival. As a consequence, organizations and the people in them are inter-dependent with other organizations. For resource dependence theorists, these assumptions provide an important basis for understanding and conceptualizing the nature of organizational and inter-organizational behavior and activity.

According to Galskiewicz & Marsden (1978), organizational resources take a variety of forms, e.g., raw materials, capital, personnel, information, technology and technological innovations, social support, various services and production operations not performed by the focal organization, etc. Conceived this broadly, resources may be considered as inputs or outputs. The flow of such resources between organizations appear to be both variable and at times unpredictable.

The necessity of organizational negotiation and exchange - Given that no organization is entirely self-sufficient, inter-organizational exchange is necessary (Pfeffer

& Salancik, 1978). In seeking requisite resources, organizations engage in transactions with various organizations in their specific and general environments (Scott, 1992). The exchange relationships which exist may be considered multi-dimensional (Silver, 1993). For example, while all organizations enter into exchange relationships, the number of transaction partners varies both *across* organizations and *within* a given organization over time. Likewise, the *importance* of organizational exchange incidents varies, i.e., some are relatively trivial, while others are of critical importance for both parties involved (Hall et al., 1977). Depending on the resource needs of the focal organization and the subsequent exchange balance, the emergent relationship which exists between the focal organization and a given resource provider can assume a variety of forms: dependent, reciprocal or dominant (Silver, 1993).

The emergence of organizational dependence - As explicitly noted above, the organization's need to acquire resources leads to the development of exchange relationships between organizations. Further, the unequal distribution of needed resources results in inter-dependent organizational relationships. For any given organization, the need for resource acquisition creates dependencies between the organization and other organizations in its environment. Several factors would appear to exacerbate the character of this dependence, e.g., the importance of the resource(s) in question to the focal organization, the relative scarcity of the resource(s), and the degree to which the resource is concentrated in the environment. While Jacobs (1974) and Thompson (1967) allude to such factors, the most comprehensive explication of these factors (and of resource dependence theory) is offered by Pfeffer & Salancik (1978).

Given that inter-organizational power differentials grow out of asymmetric economic exchanges between organizations, resource dependencies give rise to political problems which often result in political solutions (Scott, 1992). Such power can be used by resource-rich organizations to control the behavior of resource-dependent organizations

The presence of external organizational constraints - As a result of these external dependencies, the choices and actions of the focal organization are somewhat constrained as its managers seek to attend to the demands made by those environmental entities which provide resources critical to organizational survival and success. Conceptualizing the effects of external constraints in this fashion is analogous to that described by Kahn et al. (1964) for individuals. Just as individuals in an organization are subject to pressures from those with whom they interact, so the organization is subject to pressures from organizations with whom it is inter-dependent. Given this, understanding the environmental context of a given organization is of utmost importance in resource dependence theory. One cannot understand the structure or behavior of an organization without giving attention to this context. As Pfeffer and Salancik (1978:39) note, "the underlying premise of the external perspective on organizations is that organizational activities and outcomes are accounted for by the context in which the organization is embedded."

The managing of dependence - If the formal organization is conceived of as a purposive social form, then the imposition of external constraints brought on by dependence represents a formidable organizational challenge. In response to these

constraints, organizational leaders seek to manage and strategically adapt to external dependencies. These attempts at adaptation underscore an important assumption underlying the resource dependence perspective: for organizational leaders, management of the organization's environment is as important as managing the organization itself (Aldrich & Pfeffer, 1976).

According to the resource dependence literature, attempts by the firm to adapt to and negotiate with the environment are often guided by three over-arching principles. First, organizational decision-makers seek to ensure the continued survival of the organization (Pfeffer & Salancik, 1978; Thompson, 1967). Given the scarcity and concentration of a particular resource, this means altering the behavior and structure of the organization in such a way so as make the flow of the resource in question more certain. Second, management often seeks to reduce the effects created by external constraints on internal organizational discretion (Benson, 1975). Third, leaders seek to maximize the autonomy and discretion available to them for the larger purpose of enhancing both present and future adaptability (Silver, 1993). The organization constrained by its environment has limited degrees of freedom with which to address future environmentally-induced changes and contingencies.

Considered together, these principles suggest that organizational leaders seek ways to mitigate the disruptive effects of external dependence. Such attempts underscore the implicit view of organizations as entities driven by the *need to adapt*. It should be noted that such a view stands in contrast to more rationally oriented, goal-based views of the organization.

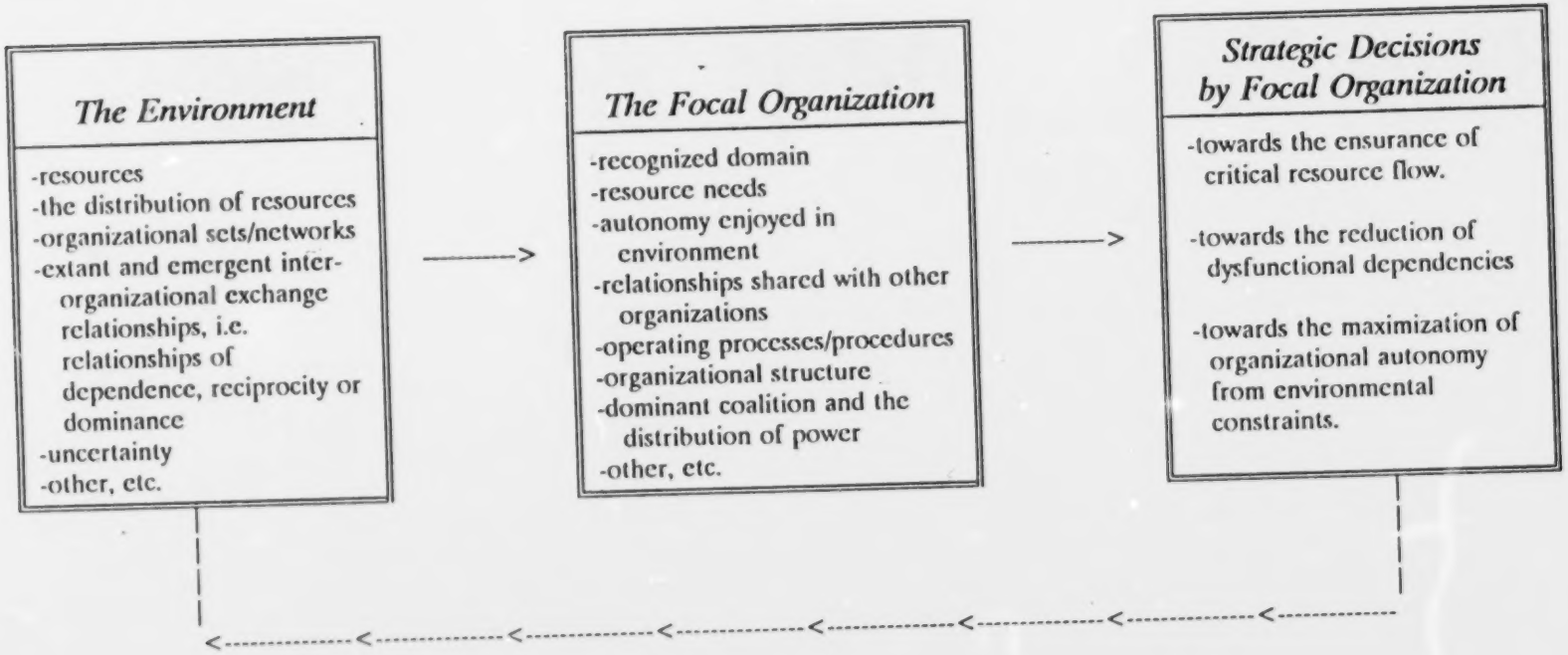
Figure 1 depicts the general logic and flow associated with resource dependence theory from the perspective of the focal organization, i.e, a given organization of interest. The context of the focal organization is the larger environment in which it exists. For the organization, the environment represents many things: resources; other organizations, organizational sets and networks; existing and emergent inter-organizational exchange relationships; dependence; uncertainty, etc.

** Insert Figure 1 Here **

The environment and the constellation of givens represented therein function to define and constrain the focal organization, i.e., its recognized domains, resource availabilities and needs, level of autonomy enjoyed in the environment, internal operating processes and procedures, structure, the distribution of power within the organization, etc. In an attempt to increase the certainty surrounding the flow of critical resources into the organization, reduce dysfunctional relationships of dependence shared with other organization, and in effect increase organizational autonomy within its environment, strategic decisions are made by organizational leaders to minimize the constraints imposed by the environment. These decisions result in the pursuing of various buffering and bridging activities.

Depending on the position of inter-organizational power enjoyed by the focal organization within its environment and a host of other factors, the courses of action chosen by organizational decision-makers affect the dynamics and constellation of givens

Figure 1: The Logic of Resource Dependence Theory From the Perspective of the Focal Organization


The Environment
-resources
-the distribution of resources
-organizational sets/networks
-extant and emergent inter-organizational exchange relationships, i.e. relationships of dependence, reciprocity or dominance
-uncertainty
-other, etc.
The Focal Organization
-recognized domain
-resource needs
-autonomy enjoyed in environment
-relationships shared with other organizations
-operating processes/procedures
-organizational structure
-dominant coalition and the distribution of power
-other, etc.
Strategic Decisions by Focal Organization
-towards the ensurance of critical resource flow.
-towards the reduction of dysfunctional dependencies
-towards the maximization of organizational autonomy from environmental constraints.

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in the environment and the relationships shared by the focal organization with other relevant organizations. As can be seen, this process is dynamic

While the concepts and processes depicted in Figure 1 are not intended to be an exhaustive representation of resource dependence, they provide one with a general idea of the logic and relationships associated with the theory from the perspective of the focal organization.

Applications of Resource Dependence Theory

A review of the resource dependence literature suggests that empirical research in the field has focused primarily on strategies used by organizations to address and negotiate relationships of dependence. The elucidation of these strategies represents one of the major contributions of the resource dependence perspective to the field of organizational theory. While a detailed examination of each is beyond the scope of this endeavor, a cursory review is appropriate.

Strategies used by organizations to address relationships of resource dependence have been classified into one of two larger categories: buffering and bridging. Taken together buffering and bridging function to defend, define, and redefine organizational boundaries (Scott, 1992). Each represents an attempt by the organization to absorb inter-dependence and reduce uncertainty.

The pursuit of buffering and bridging strategies often leads to structural and personnel changes within the organization as attempts are made by leaders to adapt to changing resource contingencies. As the level of environmental complexity increases, the

organization tends to establish more elaborate and formalized coordination and control structures to insure the flow of needed resources. Thus, for any given organization, existing organizational processes and structures may be interpreted as reflecting environmental complexity as well as past, present, and predicted resource needs.

Buffering strategies involve amplifying and protecting organizational boundaries. In an attempt to reduce the uncertainty which surrounds its technical core and hence maximize productivity, the dependent organization will often seek to buffer this core from the fluctuations brought on by environmental dependence. On the input side, buffering is illustrated by the stockpiling of needed materials and supplies. Such stockpiling allows for a consistent, steady flow of inputs into the production process. In effect, it functions to insure a certain degree of autonomy for the organization and its leaders. Other buffering strategies include coding, leveling, forecasting, and adjusting the scale of the organization's technical core.

Bridging involves modifying organizational boundaries through boundary-spanning or boundary-shifting. Given that organization leaders seek to reduce the uncertainty surrounding the flow of needed resources, the intent of such strategies is to increase the certainty associated with this flow by *bridging* or *linking* the organization with exchange partners, competitors, and regulators. Reduced dependence and increased autonomy are the prizes that motivate bridge building.

Although each varies in terms of the strength and stability of the exchange relationship forged, several bridging strategies have been identified and examined in the resource dependence literature (Scott, 1992; Pfeffer & Salancik, 1978; Thompson, 1967).

For example, organizations attempt to reduce dependence either partially through cooperation, i.e., via joint ventures, contracting, the movement of executives and other personnel across organizations, resource diversification, etc., or more completely through mergers, officer/directorate interlocks or co-optation. As a specific example, officer and directorate interlocks provide the means whereby two or more organizations can insure the flow of needed resources between them. Since financial institutions are the dominant actors in the world of interlocking directorates (Mintz & Schwartz, 1985), such strategies give organizations a competitive advantage through access to financing, information, and other types of critical resources (Mizruchi and Galaskiewicz, 1993).

Reflection on the applicability of resource dependence theory in broadening our understanding of organizations likewise suggests that within any given organizational set, network or domain, the level of accrued power across representative organizations may in fact be unequal. While it is inconceivable to assume that no one organization is neither all powerful nor powerless, it is reasonable to assume that organizations do find themselves closer to one extreme than the other. Resource dependence provides a useful framework for thinking about these differences. At one extreme is the captive organization (Thompson, 1967), the organization greatly dependent on other organizations in its environment for resources. Limitations to its capacity may be rooted in one or several factors, e.g. the absence of feasible resource alternatives, the hyper-concentration of needed resources in the environment, the incapacities of supporting organizations, etc. Given this state of affairs, attempts by captive organizations to alter the environment and remove crippling dependencies often prove unsuccessful. This

contrasts sharply, however, with the efforts of the more powerful, resource-rich organization. Due to monopolistic control over valued and scarce resources, such organizations are able to achieve an unusual degree of independence from other organizations. Not only are these organizations capable of controlling the actions of others, they also tend to be less susceptible to influence attempts by more dependent organizations.

A further contribution of resource dependence theory to the understanding of organizational behavior is found in its description of the choice of adaptive strategies by organizational decision-makers as a *political* activity. The distribution of power within the organization is a critical factor in determining the adaptive strategies pursued by an organization. Over time, power accrues to those organizational leaders and sub-units who prove adept at reducing the constraints, uncertainties, and contingencies which accompany the flow of critical resources. According to resource dependence theory, it is these individuals who determine which adaptive strategies the organization will pursue. Hence, given that internal power arrangements are central to the decision-making process, decisions regarding the management of organizational inter-dependence are rooted in a political context.

In considering the application of resource dependence theory as a means of explaining organizational behavior, it is worth noting that the theory shares a great deal of common ground with other environmentally-centered theories. For example, the resource dependence approach shares many features with strategic contingency theory (Lawrence & Lorsch, 1967). Both build on Emerson's (1962) formulation of power-

dependence relations. Yet while the focus of resource dependence is on the organization itself and its relations with other organizations, strategic contingency theory focuses on intra-organizational behavior, specifically, the distribution of power between and among organizational sub-units.

Resource dependence theory also shares important features with the population ecology model of organizations (Hannan & Freeman, 1977). Like population ecology, resource dependence theorists argue that organizations are externally constrained. Unlike population ecology theory, however, resource dependence emphasizes the conscious and rational attempts by organizational leaders to manage and strategically adapt to their environments. Whereas the former stresses selection, the latter emphasizes adaptation.

Difficulties and Limitations Associated With Resource Dependence

Resource dependence theory provides the reflective practitioner with a useful way of framing the relationship between the actions and behavior of an organization and its environment. In making this observation, however, one should note that the theory is not without its difficulties and limitations. While a comprehensive rehearsal of all known difficulties and limitations is prohibitive in this context, the reader is presented here with those judged as being substantially significant.

Perhaps the most challenging dilemma posed by the theory lies in its inability to fully and clearly delineate the relationship shared between the environment and the organization. Like most open-systems perspectives, the primary focus of resource

dependence theory is on the environment. While organizational behavior is seen as somewhat strategic, resource dependence theory suggests that such action represents a reaction to perceived and potential constraints imposed by the environment. It is the environment that functions as the independent variable.

While there is a degree of intuitive validity in this assumption, one is led to question its full validity. Does this represent a valid description of the relationships shared between the environment and organization? To be sure, environments do appear to constrain and set limits on organizational action. However, it appears equally as valid to conclude that organizations *act on* and *affect* the environments in which they exist. Logic would suggest that the relationship shared between the organization and its environment is perhaps more accurately conceptualized as being bi-directional. If this is the case, then the challenge comes in determining when and under what conditions each functions as the dependent and independent variable.

A second difficulty posed by the resource dependence perspective focuses on the problems which surround attempts to aggregate individual actions and behavior to the organizational level. The problem is certainly not new to organizational theory, and there is precedent for considering the organization as but the lengthened shadow of one or a handful of individuals (Thompson, 1967). Nevertheless, theorists who use this particular approach shoulder the burden of developing explanations of how complex, interactive micro-behaviors within the organization are aggregated to produce organizational-level action. While it is recognized that organizations do vary in size, e.g., organizations range in membership from as few as two to as many as thousands, such

aggregation represents no small task. The complexity associated with this aggregation would appear to vary directly with organizational size.

A third difficulty associated with this theoretical approach has as its focus questions regarding the most appropriate unit of analysis. As with other theories seeking to explain inter-organizational action and behavior, a variety of options exists. Each presents its own set of challenges and difficulties. For example, one may choose to focus on the *organization*, the *relationships* of the organization, or the *resources* of the organization. Within each of these three categories, further options are available, e.g., if the focus is relationships, will the unit of analysis be a dyadic relationship, a few relationships, or all relationships shared by the organization? If the focus is on resources, will a given study examine a single resource, a small set of critical resources, or all resources needed by the organization to function?

Questions such as these hint at the complexity involved in examining inter-organizational relationships from the resource dependence perspective. While the simplest form of inter-organizational relationship appears to have received the most attention in empirical research, i.e., the dyadic relationship, a more comprehensive understanding of the dynamics of resource dependence among organizations is to be found in examining multiple resources and relationships at both the organizational set and organizational network levels. Since the chosen unit of analysis has implications for statistical and analytical generalizability, questions regarding the most appropriate unit of analysis are significant and as of yet remain unresolved.

In reflecting on the limitations of resource dependence, it should be remembered that this perspective is but one of many which seeks to explain organizational action and behavior. Its distinctiveness is found in the attention it gives to resources - resource needs, resource scarcity, and resource exchange among organizations. The emphases given to dependence and the constraints imposed on organizational autonomy as a result of this dependence represent perhaps its greatest strength. Yet, it is in this strength that a significant limitation can be found. Resource dependence theory assumes that organizational behavior and structures are shaped primarily by *materialistic* forces. Absent among its advocates are discussions regarding the role of rival influences and determinants, e.g., cultural, ideological and institutional factors and considerations. Therefore, resource dependency theory must be understood as a partial, middle-range theory of the organization. As such, it must be used as one lens among many with which to understand and interpret organizational action and behavior.

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